

1/9

~~Geel~~



1983 Corporate Affairs Status Reports

2024302863



## A Style for Leadership

Can "corporate style" help turn a company into a leader? All of a sudden, firms that never knew—or cared—whether they had a style are feverishly searching for one.

Philip Morris has had style for thirty years. When we were number six in a six-company industry, we made a commitment to quality products, quality people, and quality ideas. That commitment, and the style that grew out of it, has made us a leading competitor in our industries and a leading influence in the world business community.

These are troublesome times. Hardly a day goes by without our products and our company coming under attack. We face unprecedented demands for higher taxes, labelling laws and container legislation, from opponents whose aim is to severely limit or even prohibit the use of our major products.

A major mission of Corporate Affairs is to defuse and deflect those pressures. Through varied activities we strive to forge alliances and emphasize common concerns, presenting Philip Morris as a thoughtful, responsible, and socially committed manufacturer of outstanding products that are used around the world every day by ninety million people.

Philip Morris is widely recognized as a pacesetter among American companies in the area of corporate affairs. Early on, the Board of Directors recognized and endorsed the importance of this function by establishing its Committee on Public Affairs and Social Responsibility. The Board's ongoing involvement has contributed immeasurably to the effectiveness of our activities and to the evolution of our corporate style.

Some of our 1983 projects exploited marketing activities, making both friends and headlines. For example, a dinner honoring leaders of the Black-owned media, sponsored by Players during the introduction of the brand, was covered by minority-owned papers with a combined circulation of 2 million. News stories and interviews with the Lite All-Stars have appeared coast to coast; so has coverage of the 7UP consumer hotline.

Other corporate affairs programs won supporters for Philip Morris in the public and private sectors through activities ranging from the Summer Jobs '83 employment program to the Vatican art exhibition. Still other enterprises were aimed at blunting new domestic legislative restrictions on cigarettes and beer, at relaxing Japanese restrictions on U.S. tobacco products, and at enhancing the company's favorable impression in the worldwide financial community. In addition, we further centralized our Department's budgets and administration, making our activities more cost effective.

The following pages highlight the year's activities at the corporate level and in the operating companies.

—James C. Bowling  
Senior Vice President and Director of Corporate Affairs

2024302864

2024302865

Philip Morris Incorporated

**Philip Morris Incorporated**

---

**Corporate Relations and Communications  
Corporate Public Affairs  
Washington Relations  
Summer Jobs '83**

---

**2024302866**

## Opening Minds and Doors

Dutch financial analysts, Hispanic legislators, *Business Week* readers, beer distributors, Black journalists, and our co-workers—all these groups and many others, including vast numbers of consumers, heard positive news about Philip Morris in 1983.

Responsibility for generating an informative flow of news about the company's activities, products, and people is entrusted to Corporate Relations and Communications—the department that “markets” the company to special and general publics in the U.S. and around the world. Organized as a team, working closely with corporate officers, operating companies and industry trade associations, this is the group that tells the story of Philip Morris—who we are, how we work, and how we have grown.

This year the company and its industries regularly made front page news in the U.S. and overseas. Some of the attention inevitably was unfavorable. Philip Morris, as some top executives put it, operates in “sin” businesses—and makes an irresistible target for prohibitionists and advocates of sumptuary laws.

But though cigarettes and beer often received a bad press during the year, the bulk of coverage mentioning Philip Morris reflected our efforts to emphasize the company's role as a responsible world business leader.

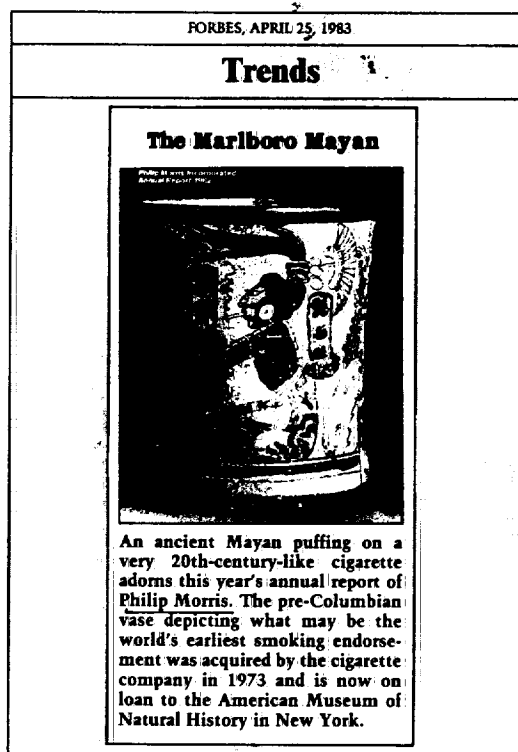
### Images and Information

The photo of a thousand-year-old pre-Columbian vase emblazoned with a smoking Indian, appearing on the cover of the 1982 Annual Report, was a reminder that smoking is an ancient human custom that can be expected to continue. The Report emphasized the company's growth and

confidence in the future—and became the foundation for a continuing program of presentations to the financial community by senior executives and members of Corporate Finance and Financial Relations.

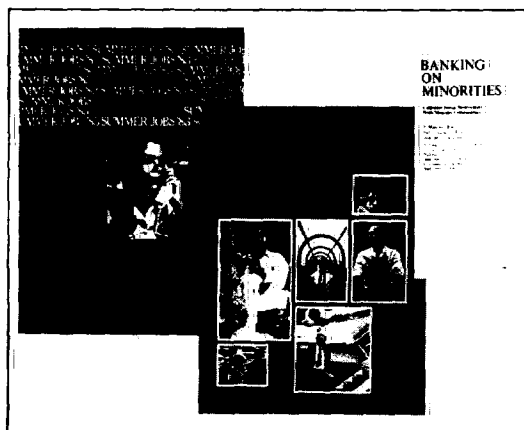
In addition to presentations in Edinburgh, Paris, and Amsterdam—and Chicago, Los Angeles, Richmond, and other U.S. cities—Philip Morris participated in the biennial Maxwell Tobacco Seminar for analysts organized by John C. Maxwell, Jr., of Lehman Brothers Kuhn Loeb Inc., the recognized senior analyst of the tobacco industry.

At the tobacco industry round table sponsored by *Wall Street Transcript* in June, a Salomon Brothers vice president called Philip Morris “potentially one of the strongest performers over the next year.” Positive



Forbes article on Annual Report.

2024302867



Special publications and speech reprints like these reached multiple audiences.

financial stories appeared on cable television, in *Business Week*, *Forbes* and the *New York Times*, helping our stock reach an all-time high.

Philip Morris news announced in speeches at the annual meeting in Richmond became the subject of a videotaped news release, broadcast widely in tobacco states and PM "hometowns." For the first time, the department videotaped segments of the annual meeting for later viewing by operating company executives and employees.

### Targeting

Extending the reach of our executives' speeches and articles through releases, reprints, and PM-produced brochures has become standard Philip Morris procedure over the years. For example, among our 1983 reprints:

- Joseph F. Cullman 3rd's description of a responsible tobacco industry to the Tobacco Merchants Association of the U.S. was reprinted in the *U.S. Tobacco Journal* and distributed further via our mailings.
- "Banking on Minorities," F. Harrison Poole's address to the National Associa-

tion of Latino Elected and Appointed Officials, was reprinted and distributed to every Black and Hispanic legislator in the U.S. As a result, Colorado State Senator Polly Baca Barragan (Vice Chair of the Democratic National Committee) said, "Philip Morris is sincere about its commitment to minority enterprise—they put their money where their mouth is."

- James C. Bowling's many speeches on corporate support of higher education were combined into an article in *American Education*, published by the U.S. Department of Education.

Other speeches included:

- George Weissman's definition of Corporate Social Responsibility at the annual luncheon of the Louisville Chamber of Commerce.
- Ross R. Millhiser's address to the PM Management Information Systems workshop, urging attendees to become "experts on Philip Morris."
- Clifford H. Goldsmith's message to the PM Financial Conference, urging the audience to innovate and concentrate on "timing."

Our own publications became part of this standard effort. The final report on Summer Jobs '83, formally submitted to the New York City Partnership, sponsor of the program, was also distributed to news media, major U.S. corporations, and national associations and officials. So was "They Sell to Philip Morris—So Can You," a report on the company's purchases from minority vendors (originally prepared to encourage more bids from such entrepreneurs). Two other publications, "Art at Philip Morris," describing our own art collection at World Headquarters, and "Philip Morris and the Arts: A

Twenty-five Year Report," were mailed to over 5,000 people and organizations.

To keep co-workers informed, committed, and active, we continue to make changes at *Call News*, which we now distribute to 55,000 English-speaking Philip Morris employees and their families. With greater emphasis on business-related stories, executive interviews, and issues affecting our industries, *Call News* is developing a brighter graphic style that will culminate, in the January 1984 issue, in a new design.

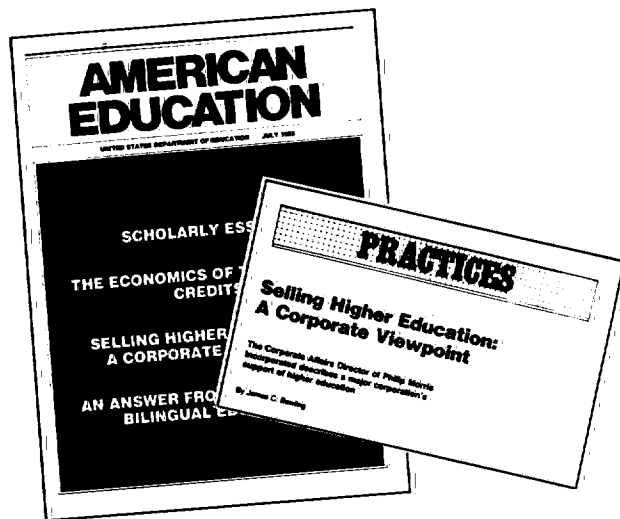
Our films reach diverse audiences—in support of both product and Philip Morris programs. This year's productions included:

- *Clasico del Caribe*—shown widely on television for racing fans in Central and South America.
- *120 Park Avenue*—for employees, on the opening of the new World Headquarters on Park Avenue in New York.
- *Lift Up Your Heart* and *The Vatican Collections*—for moviegoers at first-run theaters across the country and on public television stations.

*Tato & The Seven-Up Mystery*, a film for children, shown on plant tours, on TV, and at movie matinees in Latin America, and *Grand Central*, about our landmark neighbor, both won awards at this year's International Film & TV Festival of New York, the latter as "best of festival."

#### Cultivating the Press

To keep up with Philip Morris in the media, it's no longer enough to read only the *New York Times*, the *Wall Street Journal*, *Business Week*, and the *Richmond News Leader*—we never know when the major news magazines, or even *Connoisseur* or *Vanity Fair*, might say something about



Article prepared for American Education demonstrated responsible corporate citizenship.

Philip Morris or its programs. Because media interest in Philip Morris activities increasingly crosses over from business pages into cultural areas, the number of periodicals reviewed for *FYI* has increased every year. Likewise, the number of stories containing references to Philip Morris, its products, and its people has more than doubled in the past two years.

Creating news events is one way of insuring that our activities are reported. We continue to foster relationships with reporters and editors throughout the nation, and gained extensive coverage for such events as the opening of the Whitney Museum at Philip Morris World Headquarters and the presentation dinner held at Philip Morris for the Architectural League award. We also cultivated the press through events like a brunch for women journalists during the Virginia Slims finals, among others.

#### "The Exhibition of the Year"

Rarely have cooperation, teamwork, and a variety of communications tools been used

to better effect than in promoting *The Vatican Collections*. By the time it closes in February next year nearly three million people will have seen what one critic called "the most important exhibition of the year"—and millions more will have heard of it and Philip Morris through the news media and through our Philip Morris-produced film.

In planning the promotion, we recognized two obstacles—the difficulty of associating our name and products with such an unusual exhibition and the difficulty the public might have in understanding the exhibition itself, which represents an art collection spanning 26 centuries.

Explaining the exhibition to the general public proved to be an unparalleled opportunity to promote Philip Morris as well as *The Vatican Collections*. We did it through TV and radio interviews, feature stories in newspapers and magazines, public service announcements, films run by the Public Broadcasting Service and placed in over 70 movie houses, and in a brochure given to museum visitors. We also ran double-page advertisements featuring key works of Vatican art in a variety of national publications.

Press conferences held in each of the cities just before the exhibition opened attracted art reporters to business and business reporters to art, and drew the religious, community, and general press. Our estimates indicate that coverage exceeded that achieved by other corporate sponsors of major art exhibitions. To reach other key constituencies, including employees, politicians, and investors, and to deepen relationships with major customers, we staged special preview nights.

This program for Philip Morris—and its operating companies—ran throughout

1983 and will continue in 1984. Our newest exhibition, entitled *The Precious Legacy*, attracted the largest crowd in the history of the Smithsonian Institution on the Sunday following its opening in Washington, DC. Though the exhibition is smaller than *The Vatican Collections*, its appeal is diverse, and we expect to garner similar benefits from it.



Press coverage of PM's Vatican exhibit sponsorship reached business, art, and general audiences.



## Making the World Safe for Salespersons

Good products sold creatively would once have stood alone as a formula for business success. But in today's world of political and economic pressures, the products and the sales techniques must be accompanied by active involvement in the shaping of public policy. The role of Corporate Public Affairs, teamed closely with the six operating companies, is to work toward a world where our customers can buy and use our products with a minimum of interference.

For Philip Morris, that work means getting the corporation known among opinion-leaders and policy-makers and, further, making certain that they realize the company's commitment to society. For Corporate Public Affairs, it can mean the commitment of money, space, personnel, and the leadership of the Chairman of the Board in an effort to place underprivileged youth in summer jobs; it can involve the sponsorship of conferences on the future or of dialogues

on the political process.

To emphasize the collective commitment of the corporate family, Philip Morris this year unveiled a new corporate display booth for conventions. This 40' by 40' booth shows all the products of our companies through a



*Vice President George Bush (front) and George Weissman sample the culinary efforts of some youths who obtained their jobs through the Summer Jobs '83 program.*



*The Corporate Display Booth tells the Philip Morris story and presents the products of the operating companies to consumers, convention-goers, and the general public.*

## Corporate Public Affairs

---

multi-screen audiovisual show and short tapes; provides dispensing areas for cigarettes, Seven-Up, and LIKE Cola, and when permitted, our Miller brands; contains a small private conference room. It is telling our story to tens of thousands of people.

The booth is but one device. In 1983, the Philip Morris family worked to cultivate our various constituencies where public policy takes form. These constituencies include associations of governors, lieutenant governors, secretaries of state, attorneys-general, legislative clerks, mayors, city and county officials, even the organization of officials responsible for public works. Our constituencies also include interest groups—the NAACP, the Urban League, the League of United Latin American Citizens, the Women's Equity Action League, the American Marketing Association, the G.I. Forum, and dozens of others.

Often the involvement combines a grant from the Corporate Contributions Commit-

tee, operating monies for a project, and the time of our staff. Always there is an effort for brand as well as corporate identification. A few examples:

- With the U.S. Conference of Mayors, Philip Morris is funding the City Livability Program, which honors mayors for leadership in encouraging the urban arts, and which also provides an arts information exchange for city officials.
- With the National Women's Political Caucus, Philip Morris has produced the third biennial *National Directory of Women Elected Officials* and sponsored a bi-partisan panel discussion by congresswomen for the NWPC convention.
- With the U.S. Department of Commerce, Philip Morris is designing the V.I.P. Lounge for the 1984 World's Fair in New Orleans, where we will be the hosts, serving all our products.

In April of 1983, Corporate Public Affairs



Larry Zinski (l) of Philip Morris U.S.A. personally delivers a corporate contribution to the administrators of the University of Louisville Foundation for use in their "Quest for Excellence" Visiting Scholars Program in Labor/Management Relations.



At a Philip Morris-sponsored Congressional Dialogue at the National Women's Political Caucus 1983 Convention, Kathy Wilson (l), Chair of the NWPC, announces the release of the third biennial Directory of Women Elected Officials, published by Philip Morris and the NWPC, as Congresswoman Claudine Schneider of Rhode Island and Jeannine Dowling (c) look on.



Vince Clephas (l) presents Joseph P. Riley, Mayor of Charleston, SC, with the 3rd place City Livability Award 1983, sponsored by the United States Conference of Mayors and Philip Morris Incorporated.

staged the third in our series of looks at the future—*Agriculture in the 21st Century*. Some 400 leaders from all aspects of the field discussed the prospects and problems of feeding the world in the next century. Video newsclips on the proceedings were aired across the U.S. and overseas. Now a book summarizing the conference is being sold throughout the country, even as work starts toward a 1985 conference on Art in the 21st Century.

Philip Morris involvement in the arts is legendary and remains a key element in the Corporate Contributions area. But even greater attention and more money are devoted to education, including college and vocational/technical scholarships for the children of employees. The skillful use of corporate giving has improved employee relations, access to government officials, and community reputation for Philip Morris and its operating companies.

Another form of giving, the PHIL-PAC political action committee, is booming. Voluntary contributions to the fund by eligible



Congressman Robert Garcia (D-NY), Chairman of the Congressional Hispanic Caucus, and Jeannine Dowling (r) congratulate one of the 12 Coro fellows at the Philip Morris reception honoring the women as they embark on Coro's first Public Affairs Training Program for Hispanic Women.

2024302873

## Corporate Public Affairs

employees and shareholders more than doubled in number between the end of 1982 and the latter part of 1983, and the dollars in the fund are beginning to flow as early money into the 1984 election campaigns of those who give the company a fair hearing and support.

Even as we stay involved with the policy-makers at all levels, Philip Morris continues to enhance its ability to track proposed legislation and regulations on the federal, state, and local levels and to sort electronically through our files for the names of key contacts to help us in locales where concerns might arise. In today's world, concerns will continue to arise, and our customers are depending on us to deal with those concerns. We are organized and equipped to do so.



*Leaders and scholars in the agriculture field gather to discuss trends and techniques at the Agriculture in the 21st Century conference, the third in a series of symposiums delving into the future.*



*The Richmond PHIL-PAC Liaison Team plan their strategy for the 1983 campaign (l-r): Dan Bylsma, Ed Gee, Bob Bateman, Page Melton.*

2024302874

### Introduction

Last year, we predicted that the 98th Congress would present some formidable challenges. The election in 1982 of five new Senators and 81 new Representatives further weakened our support in both houses, replacing proven friends with a more fluid mix of personalities and philosophies.

Compounding the problem in recent years, the forces opposing our initiatives have become more sophisticated, more aggressive, better organized, and better funded. They have begun to retain influential former Congressmen to help them create strategies such as circumventing committees, like the Senate Commerce Committee, that are more responsive to our concerns.

To counter these trends, we are working to broaden our support, both inside and outside Congress. PHIL-PAC's activities have helped us win new allies in Congress. We are also strengthening our lobbying efforts and continuing to forge coalitions with natural allies outside our industries, including hundreds of Philip Morris suppliers

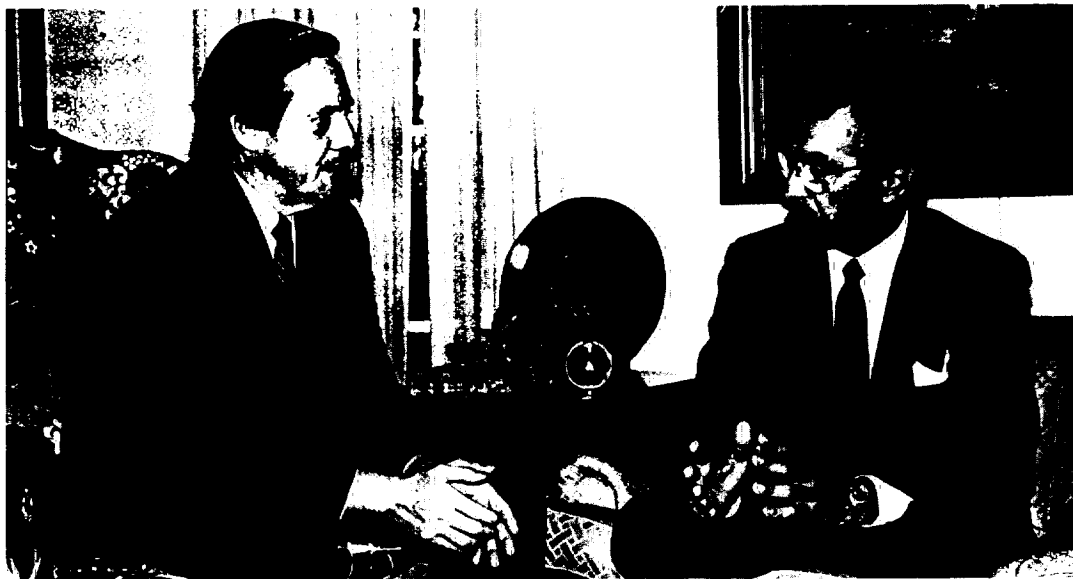
and the operators of America's 50,000-plus convenience stores.

In the past, we often blocked unfavorable legislation by "running the clock." This Congress got off to an unprecedented early and energetic start, which resulted in legislative proposals moving out of committee more quickly than usual. Next year, these proposals are likely to move to the floor and into general debate.

### New Health Warnings Gain Momentum

In 1982, Senators Orrin Hatch (R-UT) and Bob Packwood (R-OR) introduced S.772, which legislates the promulgation of unproven cause-effect relationships between smoking and "certain health problems." Among its provisions are (a) a new cigarette warning explicitly linking smoking with cancer, respiratory disease, and cardiac disease; and (b) the creation of a new bureaucracy charged with spreading the antismoking gospel at public expense.

The Health Subcommittee of the House Energy and Commerce Committee, on the initiative of its Chairman, Rep. Henry Wax-



Washington Relations Staff VP Mike DeMita (r) with U.S. Trade Representative Bill Brock.

2024302875

## Washington Relations

---

man (D-CA), has reported out its own smoking and health bill—H.R.3979. Besides requiring new warnings, this bill further affects cigarette advertising.

The Senate bill has been reported out of Sen. Hatch's Labor and Human Resources Committee. Further action is unlikely before 1984. While the bill was in committee, the industry negotiated a mutually acceptable substitute health warning statement with the Department of Health and Human Services. Support for such a substitute is now being organized.

### **Tighter In-Flight Smoking Rules**

In June, the Civil Aeronautics Board published its intention to further restrict in-flight smoking, prohibiting it entirely on flights of less than two hours' duration and in aircraft below a certain size. The CAB is receiving comment until December 27. To counter this clear infringement on the rights of smokers, we assisted in mobilizing opposition from a wide range of groups, including Philip Morris employees and suppliers, passengers, carriers, and technical associations within the airline industry.

### **No New Taxes—Yet**

On January 1, 1983, excise taxes on cigarettes were doubled, from eight cents to 16 cents a pack—the largest single excise tax increase in the history of our industry. Despite looming increases in government deficits, the threat of new taxes on tobacco and alcohol to meet general revenue shortfalls has so far failed to materialize.

The threat is still very real, however. The final report of the Social Security Advisory Council, issued November 4, recommended increased tobacco and alcohol taxes to fund projected Medicare deficits of \$300-\$400 billion by 1995. While there is broad agreement that Medicare deficits pose a

serious threat to government finances, further increases in tobacco and alcohol taxes are, at best, a questionable solution.

Owing to the political sensitivity of the Medicare issue, we do not foresee any action until after the 1984 elections. However, we do need to be aware of this eventuality and are preparing appropriate steps to forestall the kind of simplistic "sin tax" thinking that led to this year's cigarette tax increase.

### **Concessions from Japan**

The foreign trade picture is brighter. Throughout 1983 we continued to enjoy broad Administration support for our efforts to breach Japanese trade restrictions on U.S. cigarettes. We achieved a milestone of sorts last January, during Prime Minister Nakasone's visit to Washington.

In cooperation with Philip Morris International, we arranged a series of meetings between senior Philip Morris management and key government officials to acquaint them with the problem. Our efforts culminated on the eve of Mr. Nakasone's arrival, when Philip Morris Chairman George Weissman and 11 other business and labor leaders briefed President Reagan on U.S.-Japan trade issues.

Throughout his visit, Mr. Nakasone met sharp questions and well-informed confrontation. Shortly before his return to Japan, Mr. Nakasone announced concessions to Philip Morris Inc. and the U.S. tobacco industry. Though modest, these concessions represent the first tangible Japanese movement in five years of difficult negotiations. We have now begun to press for more meaningful concessions to enable us to obtain a more typical share of a market approximately one-half the size of the U.S. market.

2024302876

When Philip Morris Chairman George Weissman agreed to serve as Summer Jobs '83 General Chairman for the New York City Partnership, it was not without a healthy respect for the challenge ahead. "Our predecessors were New York Telephone, with 77,000 employees, and Citibank, with 20,000 employees," he told the kickoff meeting in February. "Since Philip Morris has only 1,500 employees in New York, we'll have to work at least twice as hard to equal their success."

The results more than equalled those of the previous year. By campaign's end, Summer Jobs '83 had placed 19,798 economically disadvantaged young people in jobs ranging from accounting clerk to pickle packer—a stunning 25% gain over 1982. "Given the recession we've been climbing out of, I'm not just astonished, I'm exhilarated," Weissman declared.

PM's decision to lead the 1983 campaign was not charity. Summer Jobs gave us the chance to put something back into a city where we live and work, and where our products are widely sold and consumed. It was a chance to identify PM with socially desirable goals. And it offered many opportunities to convey a sense of PM style to a number of important publics.

Summer Jobs '83 was a huge effort, involving all of New York-based PM and amply demonstrating both the strength of Corporate Affairs and PM's outstanding marketing ability. In all, 35 PM employees worked full time on the campaign. Corporate Affairs people held four key staff positions, including Deputy Staff Director and Director of Communications. Many others not formally involved—from *Call News* and Editorial Services to Corporate Contributions and state/local government relations—also supported our efforts whenever and however they could.

By any standard, Summer Jobs was a smashing success:

- 20,000 disadvantaged young people earned over \$15 million from more than 2,000 employers—and 89 percent of the employers want them back.
- Scores of PM employees, from people in the Chairman's office to people in the mailroom, worked hard to make Summer Jobs '83 the best yet.
- We received support from President Reagan and Governor Cuomo and personal involvement from Vice President Bush, Lt. Governor Del Bello, and Mayor Koch.
- Our activities enhanced already good relations with the New York congressional delegation and officials in all five boroughs.
- Our involvement helped generate favorable, almost continual, media exposure for PM from January through mid-summer.

It was hard work, but it was worth it. Summer Jobs let us practice what we preach—that PM's social activities make business sense, and our business activities make social sense.



NYC Mayor Ed Koch (c) among other enthusiastic supporters of the Summer Jobs '83 Program.

2024302877

Phillip Morris U.S.A.

2024302578



Philip Morris U.S.A.

---

2024302879

### Introduction

On November 8, San Francisco voters approved an ordinance which severely restricts smoking in the workplace. The law reverses a long-standing precept: that smoking is permitted except where otherwise indicated. In San Francisco today, our smokers can enjoy a cigarette only in an area selected by non-smoking co-workers.

In many other cities, from Los Angeles to Washington, DC, similar legislation is being considered.

The San Francisco message is a clear one. Along with punitive taxation and pressure for a self-extinguishing cigarette, the anti-tobacco movement is now targeting the workplace in its drive to compress the cigarette market.

What does this mean for Philip Morris U.S.A.? More coalition building, which, in turn, means we need to keep increasing our capacity to gather, analyze, and process information and bring it to PM USA's publics. It means providing the facts that tip the decision-making process in our favor.

We're strengthening bonds everywhere—with consumers, communities, business owners, law enforcement and fire prevention officials, lawmakers, and regulators. Employees, from senior management down, make valuable contacts, express views, contribute funds; PM USA people are top contributors to PM's Political Action Committee. We're building greater access to the National Conference of State Legislatures, Council of State Governments, National Association of Latino Elected and Appointed Officials, National Black Caucus of State Legislators, Center For American Women in Politics, and many others, helping them raise funds, backing their positions, actively serving on their

committees, addressing their meetings, informing them of our views, and demonstrating repeatedly PM USA's support for their aims and faith in their ability to bring good government to their constituents.

Communication—informative, persuasive, *targeted*—is key.

Our public speaking program has clear purpose, quality audiences. Examples: Hugh Cullman on leaf policy before such groups as Tobacco Workers and Outstanding Young Farmers, and on minority education, especially in behalf of the United Negro College Fund. Shep Pollack on taxation and its impact on consumers in our society, and on graduate business leadership. Stan Scott on the public/private sector interface and its political and economic implications for Philip Morris and the people who use its products. Every event or executive speech becomes a marketing opportunity to constituents. Every speech and written position is a candidate for reprinting and distribution to constituents.

Distribution of Black and Hispanic guides has widened, putting this information into the hands of every lawmaker, journalist, community leader, consumer possible. TAP (for Tobacco Action Program) keeps growing. The redesigned *TAPGRAM*, a monthly newsletter to 14,000 employees and their spouses, has been received enthusiastically. Ditto for the new *Public Affairs Review*, a management newsletter on legislative developments. TAP action requests, which activate our employee volunteers, have increased dramatically, a definite plus in deploying Public Affairs resources.

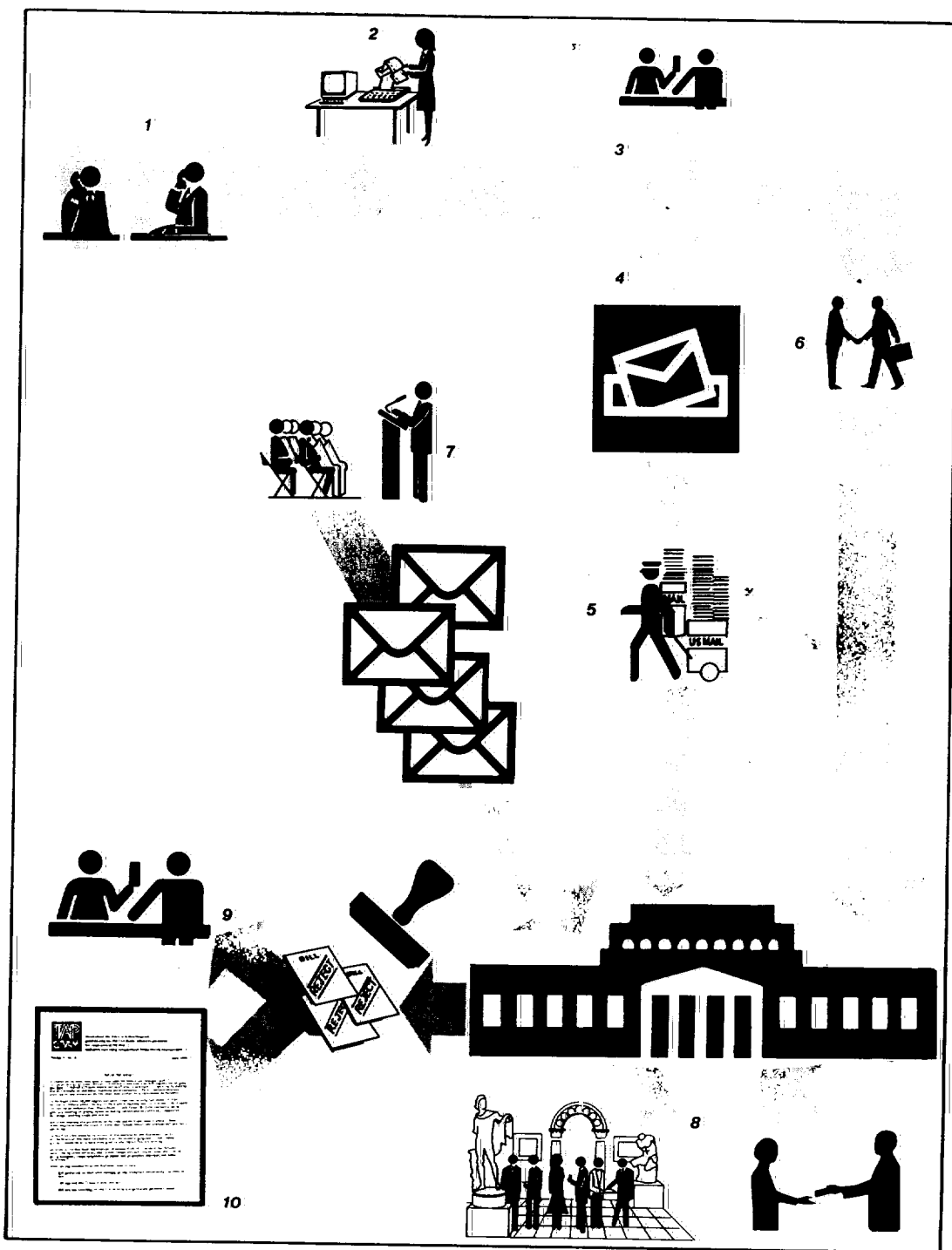
On the following pages, we attempt to illustrate the expanding proportions of anti-tobacco activity and what we and our constituencies are doing to counter it.

2024302880

### How PM USA Helps the Industry Fight Anti-Tobacco Legislation

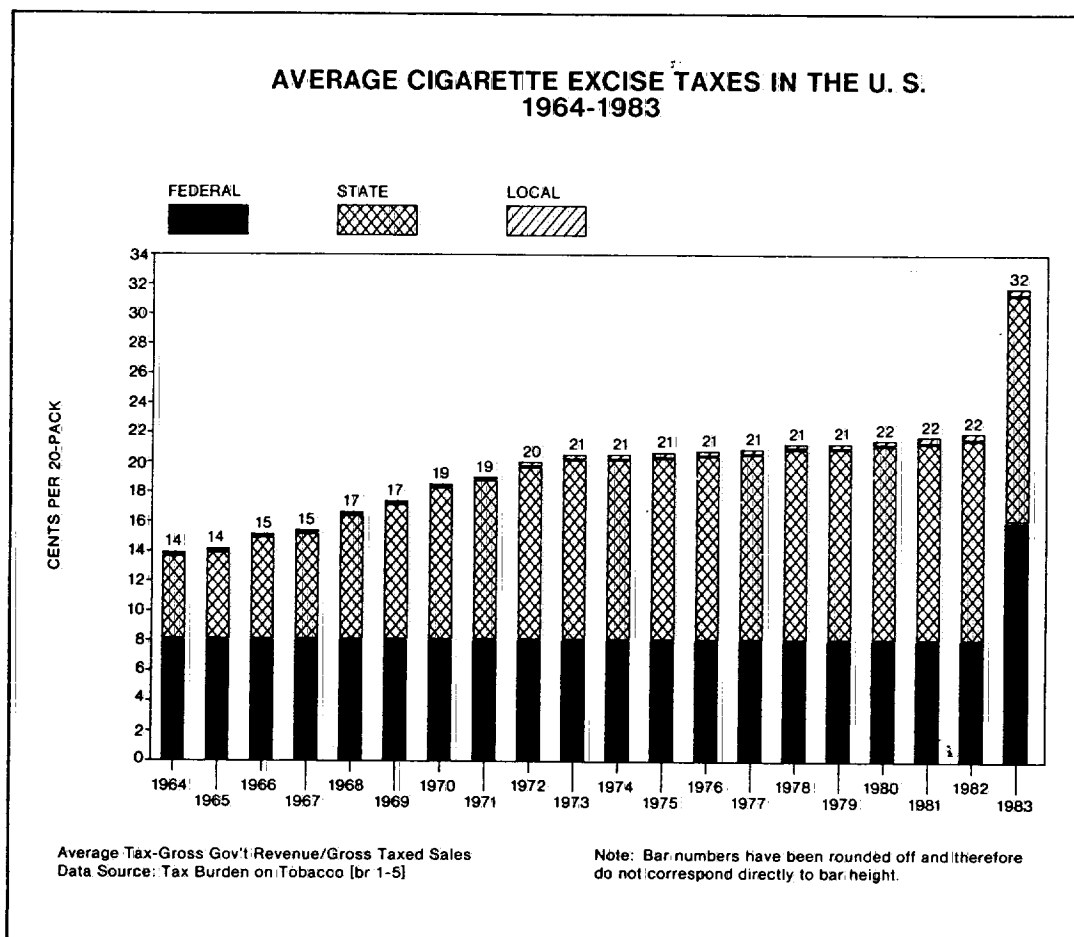
Nearly 400 pieces of anti-tobacco legislation were proposed in state and local governing bodies in 1983. More are expected in 1984. The chart on the facing page illustrates how Philip Morris U.S.A. works with the Tobacco Institute to meet these challenges.

1. It can all start with a tip from a TAPer that trouble is brewing in a state legislature or city council. Acting as our eyes and ears in the field, TAPers let us know of anti-tobacco legislation by calling the toll-free TAP Hotline (800-223-1403).
2. The department's analyst coordinates with the Tobacco Institute to track the possibilities of the bill's passage by researching background information and investigating the political situation. The PM USA Public Affairs operative responsible for that geographic region contacts the Tobacco Institute to formulate and implement strategy.
3. A special bulletin informs senior management of legislative developments.
4. At the same time, TAPers in the field get an action request, explaining the legislation and urging them to help fight it. TAPers write or call their legislators, collect signatures opposing the anti-tobacco legislation, attend public hearings, and follow other PM USA Public Affairs suggestions to fight the bill.
5. TAPers who receive action requests know the importance of letters and mailgrams. They send Public Affairs in New York copies of their letters as well as answers from legislators. Every letter received from a legislator stating a position is analyzed and retained for later use. We also send a thank-you note to every TAPer who writes a letter.
6. Meanwhile, department representatives contact elected and appointed public officials and regulators on key committees or anyone who might otherwise influence the disposition of the bill. The purpose is to present the Philip Morris side of the issue.
7. We ask business people, community leaders, and other constituents—and that also means suppliers, bankers, and recipients of Philip Morris' support—to help us fight the legislation by writing or calling legislators. Philip Morris people explain in speeches, brochures, and letters why and how to oppose a bill.
8. We cultivate year-round relationships with legislators, so when the need arises, we can talk with some of our friends to achieve a fair hearing. Events like the Vatican exhibit help us to maintain contact with public officials and their staffs. PM USA publications like the *Black and Hispanic guides* help us build our minority constituencies. We also distribute such publications as the *Virginia Slims Book of Days*, *National Directory of the Congressional Hispanic Caucus*, the *National Directory of Women Elected Officials*, and the official catalog of the Vatican collections.
9. When the legislation is tabled or defeated, we tell management immediately, inform our other publics.
10. *TAPGRAM*, the monthly newsletter, informs field sales force, the manufacturing community, and other TAPers around the corporation of legislative outcome, congratulates people who helped, urges continued vigilance.



From tip to TAPGRAM, 10 steps in blocking anti-industry laws.

2024302882



### Tobacco's Toughest Foe—Taxes

The tobacco industry is being hammered by punitive excise taxes. In spite of the doubling of the federal excise tax in January, 1983, more states are raising cigarette taxes. The average state tax on a package of cigarettes in the U.S. is 15.3 cents, but that's not the entire story. Look at the detailed 20-year summary of state cigarette taxation to see how much heavier the burden has become.

We're fighting harder, calling on employees, consumers, community leaders, business

contacts, and other economic and ideological allies to combat tax rises. This year, tax bills were knocked down in 14 states, while bills passed in 18 other states. Shep Pollack took the anti-excise argument public, challenging the National Conference of State Legislatures' Assembly on the Legislature to levy broad-based, rather than specific, taxes to raise revenues. "We are about at the end of the road in terms of upward elasticity on narrowly based taxes," he said. "It will be virtually impossible to get the required dollars out of them, but entirely feasible from broadly based taxes."

# TWENTY-YEAR SUMMARY OF STATE CIGARETTE EXCISE TAX CHANGES

State	Tax Rate in 1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974
AL	6¢	—	6-7¢	—	7-10¢	—	10-12¢	—	—	—	—	—
AK	8¢	—	—	—	—	—	—	—	—	—	—	—
AZ	2¢	—	2-6.5¢	—	—	6.5-10¢	—	—	—	—	—	10-13¢
AR	6¢	—	6-8¢	—	—	—	8-12.25¢	12.25-12.75¢	12.75-17.75¢	—	—	—
CA	3¢	—	—	—	3-7¢	7-10¢	—	—	—	—	—	—
CO	0¢	0-3¢	3-5¢	—	—	—	—	—	—	—	5-10¢	—
CT	6¢	—	6-8¢	—	—	—	8-16¢	—	16-21¢	—	—	—
DE	5¢	—	5-7¢	—	—	—	7-11¢	—	11-14¢	—	—	—
DC	2¢	—	—	2-3¢	—	—	3-4¢	—	—	4-6¢	—	—
FL	8¢	—	—	—	—	8-15¢	—	—	15-17¢	—	—	—
GA	5¢	5-8¢	—	—	—	—	—	—	8-12¢	—	—	—
HI <sup>1</sup>	3.9¢	—	3.9-8¢	—	—	—	—	—	8-9¢	9-10¢	—	—
ID	7¢	—	—	—	—	—	—	—	—	7-9.1¢	—	—
IL	4¢	—	4-7¢	—	7-9¢	—	9-12¢	—	—	—	—	—
IN	4¢	—	4-6¢	—	—	—	—	—	—	—	—	—
IA	5¢	—	5-8¢	—	8-10¢	—	—	—	10-13¢	—	—	—
KS	4¢	4-6¢	6-8¢	—	—	—	—	8-11¢	—	—	—	—
KY	2.5¢	—	—	—	—	—	—	2.5-3¢	—	—	—	—
LA	8¢	—	—	—	—	—	—	8-11¢	—	—	—	—
ME	6¢	—	6-8¢	—	8-9¢; 9-10¢	—	10-12¢	—	12-14¢	—	—	14-16¢
MD	6¢	—	—	—	—	—	—	—	—	—	—	—
MA	6¢	—	6-8¢	8-10¢	—	—	10-12¢	—	12-18¢	—	—	—
MI	7¢	—	—	—	—	—	—	7-11¢	—	—	—	—
MN	8¢	—	—	—	—	—	8-13¢	—	13-18¢	—	—	—
MS	8¢	8-9¢	—	—	—	—	—	—	—	—	9-11¢	—
MO	4¢	—	—	—	—	—	4-9¢	—	—	—	—	—
MT	8¢	—	—	—	—	—	—	—	8-12¢	—	—	—
NE	6¢	—	6-8¢	—	—	—	—	—	8-13¢	—	—	—
NV	7¢	—	—	—	—	—	7-10¢	—	—	—	—	—
NH	3.5¢	—	3.5-4.5¢	—	4.5-7¢	—	—	7-8.5¢	8.5-10.5¢	—	—	10.5-11¢
NJ	8¢	—	—	8-11¢	—	11-14¢	—	—	—	14-19¢	—	—
NM	8¢	—	—	—	—	8-12¢	—	—	—	—	—	—
NY	5¢	—	5-10¢	—	—	10-12¢	—	—	—	12-15¢	—	—
NC	0¢	—	—	—	—	—	0-2¢	—	—	—	—	—
ND	7¢	—	7-8¢	—	—	—	8-11¢	—	—	—	—	—
OH	5¢	—	—	—	5-7¢	—	7-10¢	—	10-15¢	—	—	—
OK	7¢	—	7-8¢	—	—	8-13¢	—	—	—	—	—	—
OR	0¢	—	—	0-4¢	—	—	—	—	—	4-9¢	—	—
PA	8¢	—	—	—	8-13¢	—	—	13-18¢	—	—	—	—
RI	6¢	6-8¢	—	—	—	8-13¢	—	—	—	—	—	—
SC	5¢	—	—	—	—	—	5-6¢	—	—	—	—	—
SD	6¢	—	6-8¢	—	—	—	8-12¢	—	—	—	—	—
TN	7¢	—	—	—	7-8¢	—	8-13¢	—	—	—	—	—
TX	18.5¢	—	8-11¢	—	—	—	11-15.5¢	—	15.5-18.5¢	—	—	—
UT	8¢	—	—	—	—	—	—	—	—	—	—	—
VT	8¢	—	8-10¢	—	—	—	10-12¢	—	—	—	—	—
VA	3¢	—	—	3-2.5¢	—	—	—	—	—	—	—	—
WA	7¢	—	7-11¢	—	—	—	—	—	11-16¢	—	—	—
WV	6¢	—	—	—	—	6-7¢	—	7-12¢	—	—	—	—
WI	8¢	—	8-10¢	—	—	—	10-14¢	—	14-16¢	—	—	—
WY	4¢	—	—	—	4-8¢	—	—	—	—	—	—	—
NUMBER OF TAX CHANGE PER YEAR: 5		5	23	5	10	9	20	8	17	6	2	3

- \* - Sunset included.
- \*\* - Sunset repealed.
- \*\*\* - Sunset took effect.
- \*\*\*\* - Sunset repealed; new sunset date established.

1. Hawaii levies an ad valorem cigarette tax equal to 40% of the average wholesale price of cigarettes.
2. In 1975, New Hampshire voted to eliminate its ad valorem levy of 37.5% of the average wholesale price of cigarettes in favor of a specific excise tax.
3. In addition to its 19¢ specific levy, New Jersey currently places an excise surtax equal to 6% of the average price of cigarettes. Enacted in 1982, the legislation caused the state's excise tax to rise by 1¢ in 1983.

2024302884

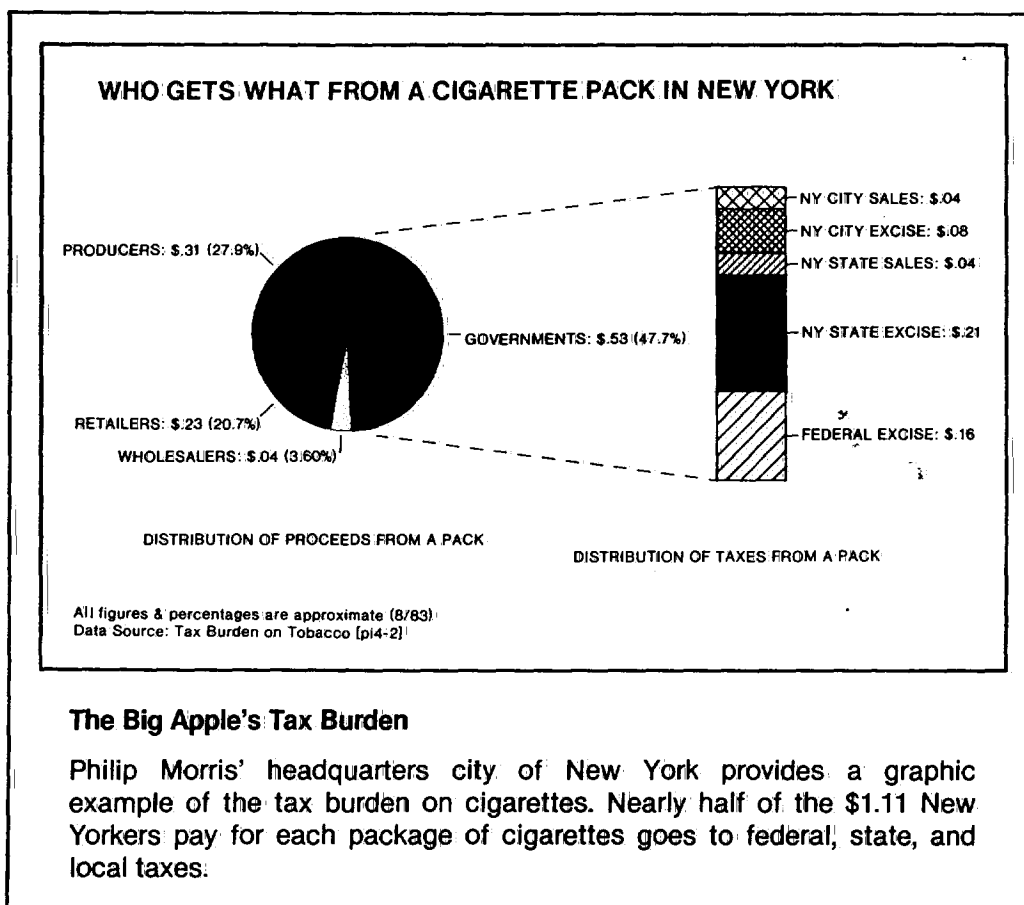
1975	1976	1977	1978	1979	1980	1981	1982	1983	CURRENT RATE
-	-	-	-	-	12-16¢	-	-	-	16¢
-	-	-	-	-	-	-	-	-	8¢
-	-	-	-	-	-	-	-	-	13¢
-	-	-	-	-	-	-	-	17.75-21¢	21¢
-	-	-	-	-	-	-	-	-	10¢
-	-	10-15¢	15-10¢***	-	-	-	-	10-15¢	15¢
-	-	-	-	-	-	-	-	21-26¢	26¢
-	-	-	-	-	-	-	-	-	14¢
6-10¢	10-13¢	-	-	-	-	-	-	-	13¢
-	-	17-21¢	-	-	-	-	-	-	21¢
-	-	-	-	-	-	-	-	-	12¢
-	-	10-11¢	11-12¢	12-13.5¢	13.5-14¢	14-15¢	15-17¢	17-21¢	21¢
-	-	-	-	-	-	-	-	-	9.1¢
-	-	-	-	-	-	-	-	-	12¢
-	-	6-10.5¢	-	-	-	-	-	-	10.5¢
-	-	-	-	-	-	13-18¢*	-	-	18¢
-	-	-	-	-	-	-	-	11-16¢	16¢
-	-	-	-	-	-	-	-	-	3¢
-	-	-	-	-	-	-	-	-	11¢
-	-	-	-	-	-	-	-	16-20¢	20¢
6-10¢	-	-	-	-	10-13¢	-	-	-	13¢
16-21¢	-	-	-	-	-	-	-	21-26¢	26¢
-	-	-	-	-	-	-	11-21¢	-	21¢
-	-	-	-	-	-	-	-	-	18¢
-	-	-	-	-	-	-	-	-	11¢
-	-	-	-	-	-	-	9-13¢	-	13¢
-	-	-	-	-	-	-	-	12-16¢	16¢
-	-	-	-	-	-	13-14¢	14-18¢*	-	18¢
-	-	-	-	-	-	-	-	10-15¢	15¢
11-12¢ <sup>2</sup>	-	-	-	-	-	-	-	12-17¢ <sup>3</sup>	17¢
-	-	-	-	-	-	-	19-24¢	24-25¢ <sup>3</sup>	25¢
-	-	-	-	-	-	-	-	-	12¢
-	-	-	-	-	-	-	-	15-21¢*	21¢
-	-	-	-	-	-	-	-	-	2¢
-	-	-	-	11-12¢	-	-	-	12-18¢	18¢
-	-	-	-	-	15-14¢	-	-	-	14¢
-	-	-	-	13-18¢	-	-	-	-	18¢
-	-	-	-	-	-	9-16¢	16-19¢*	****	19¢
-	-	-	-	-	-	-	-	-	18¢
13-18¢	-	-	-	-	-	-	18-23¢	-	23¢
-	-	6-7¢	-	-	-	-	-	-	7¢
-	-	-	-	12-14¢	-	14-15¢	-	-	15¢
-	-	-	-	-	-	-	-	-	13¢
-	-	-	-	-	-	-	-	-	18.5¢
-	-	-	-	8-10¢	-	-	10-12¢	-	12¢
-	-	-	-	-	-	-	-	12-17¢	17¢
-	-	-	-	-	-	-	-	-	2.5¢
-	-	-	-	-	-	16-20¢	20-23¢ <sup>4</sup>	-	23¢
-	-	-	12-17¢	-	-	-	-	-	17¢
-	-	-	-	-	-	16-20¢	20-25¢*	-	25¢
-	-	-	-	-	-	-	-	-	8¢
5	1	5	3	5	3	8	10	19	

4. In 1982, the cigarette tax in Washington was increased twice: once as part of a general tax rise, which resulted in a .8¢ increase, and secondly when a specific 2.2¢ increase was enacted.

5. Number of tax changes per year includes 3 state tax decreases: in 1966, Virginia's tax went from 3¢ to 2.5¢; in 1978, Colorado's 5¢ increase from the year before sunset and the tax reverted from 15¢ to its original level of 10¢; in 1981, Ohio retired certain bonds causing the cigarette tax to drop 1¢. The total changes also include unlegislated increases which occur when ad valorem taxes respond to a change in the wholesale price of cigarettes. States which currently have ad valorem taxes are New Jersey (as of 1982) and Hawaii. New Hampshire did away with its ad valorem tax in 1975.

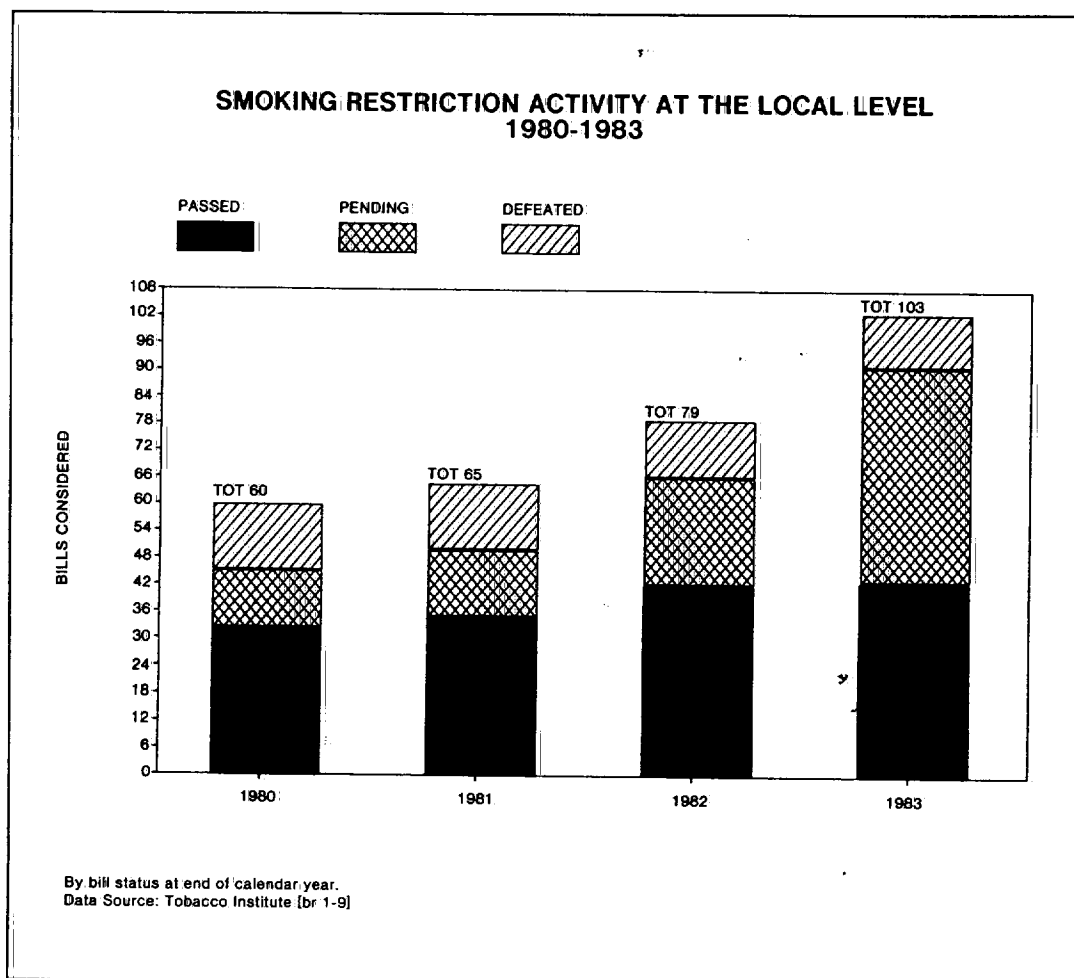
Public Affairs Department: Research Chart as of (11/1/1983)

2024302885



2024302886





### Urban Warfare: The Rise of Local Smoking Restrictions in Cities

If the focus of the anti-tobacco action in the states is taxation, the big story in the cities and counties is smoking restrictions. Look at the chart. The number of smoking-restriction bills has risen 72% since 1980. San Francisco passed a tough public and workplace smoking law it had to defend in a referendum in November. Palo Alto enacted especially severe smoking restrictions in September. Many businesses are restricting smoking in the workplace or, in extreme instances, refusing to hire smokers.

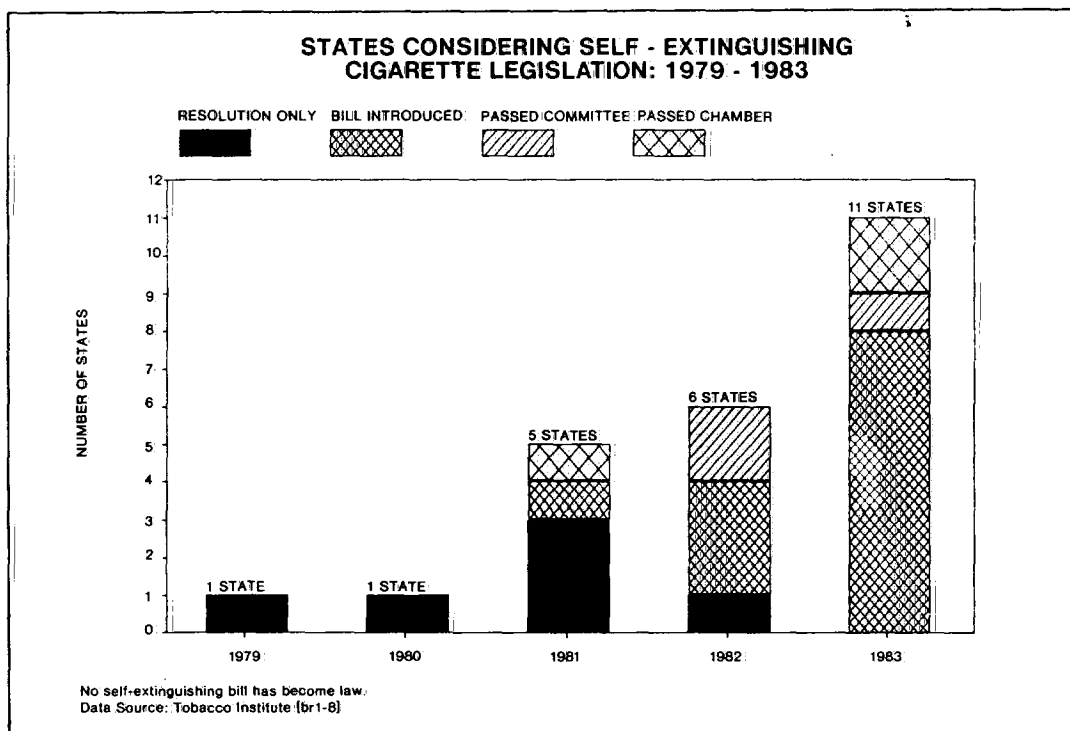
The industry defeated 12 bills in 1982. But 48 ordinances are being proposed in 45 localities. One of the reasons anti-tobacco agitators are bearing down on the cities and counties is that they've been regularly losing smoking-restriction battles at the state level! Usually labeled "clean indoor air proposals," these laws have media appeal and get wide—often biased—coverage. Bowling alley proprietors, restaurant owners, police officers—in short, the constituents we need—know smoking restrictions are unenforceable, discriminatory, and costly nuisances and are helping us fight them.

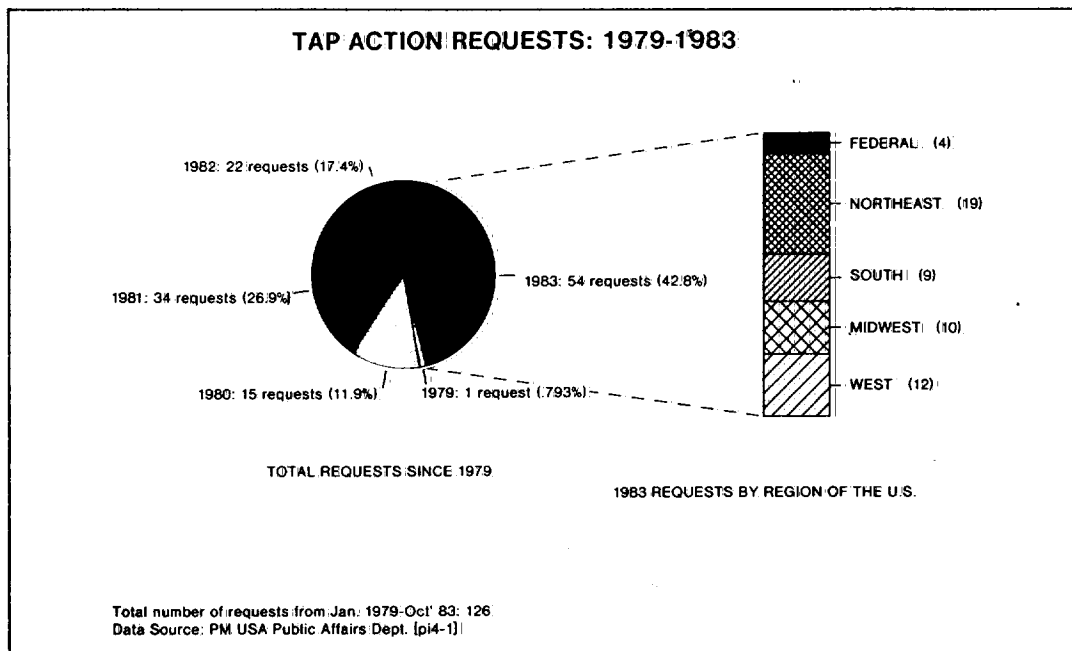
### Self-Extinguishing Cigarette Legislation Catches Fire

Anti-tobacco forces have intensified their drive to compel the industry to produce self-extinguishing cigarettes, even though they can't define what self-extinguishing means, or how to measure it if they could define it. Behind the issue of fire safety, some proponents of the self-extinguishing cigarette are also promoting sampling bans and other smoking restrictions.

The industry is negotiating with U.S. Congressman Joe Moakley (D-MA), sponsor of the Cigarette Safety Act, to authorize a national study establishing uniform federal cigarette safety standards. If there is a study, the states could be pre-empted from enacting their own standards until the federal study ends. Until that time, look for even more self-extinguishing cigarette bills

introduced in state legislatures in 1984. There are no state laws on the books—yet. But New York is a serious flashpoint. Anti-tobacco forces have targeted fire fighters as natural allies. They're also our industry's strongest, and only, constituency in this issue. The Tobacco Institute is focusing on what fire fighters consider important: reducing the incidence of accidental fires through public education. The industry is supplementing fire education budgets, aiding in fire department recruitment efforts, reinforcing the need for home smoke detectors. PM helped the New York Fire Department raise education funds, for which PM USA was publicly recognized. The Tobacco Institute is also publicizing a study of the European experience which concludes that their better record on fires caused by carelessness is based on laws, customs, and social attitudes—not cigarettes.





#### TAP: Active Reserve on the Legislative Front

The TAP (for Tobacco Action Program) phenomenon continues to build. Philip Morris employees, their spouses, and neighbors join TAP, a major component of the Tobacco Institute's TAN (for Tobacco Action Network), to form an early warning system for new state and local tobacco-related bills. They write letters, send mailgrams, collect signatures on petitions, make calls in support of tobacco positions, and identify and contact economic and ideological allies. During this busy legislative year, the Public Affairs Department sent TAPers a record number of action requests (see chart). With its upgraded mailing system, the Public Affairs group sends as many as 8,000 TAP action requests at a time. The number of action requests will grow as the level of anti-tobacco legislation rises in the coming years. TAP volunteers turned out for two big national efforts in 1983: letters

opposing the Waxman bill to strengthen cigarette label warnings and some 4,000 letters to the Civil Aeronautics Board urging rejection of smoking bans on flights shorter than two hours.

#### Conclusion

At PM USA, we never lose sight of the fact that we're a major consumer products company, that everything we do in public view has political consequences. Our size, visibility, and products make us a tempting target.

That's why we must publicize and promote our point of view to the people whose support and confidence we need and get them to listen to our positions, to write letters, to support us at the voting booth as well as at the retail counter.

And, most of all, to understand that PM USA stands for not only the highest quality in cigarettes, but the highest quality in citizenship and community involvement.



Philip Morris International

---

2024302891

---

### **PMI Headquarters**

New programs in constituency development, business development, and taxation form the basis of a long-term strategy to influence public policy proposals that are detrimental to the tobacco industry and expand our business base to important potential markets.

Establishment of the New York Society for International Affairs, Inc., and continuation of administrative support of the American European Community Association (AECA) have been the two major programs designed to form relationships with individuals responsible for determining public policy at both the national and international levels.

Created in 1983, with a Board of Directors drawn from industry, labor, government, media, and academia, the New York Society provides a unique forum for the exchange of views between the New York business community and world leaders. Heads of state, ministers, industry and labor leaders, and leaders of major political parties meet

informally with senior executives and discuss issues of concern.

AECA continues to provide contact with leaders of the European Community. Together, the AECA and the New York Society have assembled a distinguished array of leading international statesmen, providing the basis for a sound government relations contact program.

The American Council of Young Political Leaders (ACYPL) has also continued to give PMI opportunities to develop better relations with future political leaders in a number of important markets, such as the Federal Republic of Germany, Australia, and a number of Central American countries. Associations with delegation members have proved beneficial in instances where local PMI Corporate Affairs staff have wished to offer their views on pending legislation.

To promote the benefits of tobacco as a key commodity and counteract the efforts of anti-smoking groups to reduce leaf production, a special constituency development



*Such distinguished statesmen as Roy Jenkins (center, r), Valery Giscard d'Estaing, Henri Simonet, Takeo Fukuda, and Francis Pym have spoken at AECA and NY Society luncheons.*

2024302892



*PM's film crew travelled to Nong Goh in northeast Thailand to shoot Progress Not Promises.*

program targeted at the international agricultural community has been initiated. A series of industry presentations were made to delegates at the United Nations Food and Agriculture Organization in Rome, thus opening the doors for additional meetings with local agricultural officials who are responsible for determining agricultural policy in many leaf producing countries.

A series of three films—*We Are Better for It*, *Progress Not Promises*, and *A Heritage Preserved*—communicate visually the benefits of tobacco growing in such countries as Guatemala, Thailand, and the Dominican Republic.

*We Are Better for It* illustrates PMI's concern for the economic and social development of its host communities in Guatemala and Thailand, where PM provides technical assistance and health and education programs for the villagers.

*Progress Not Promises* shows how PMI developed Oriental tobacco as a viable and profitable crop for the people of northeast

Thailand. The film was recently awarded the CINE Golden Eagle Award for Excellence and will represent the United States in film festivals throughout the world.

*A Heritage Preserved* tells of the educational, agricultural, social, and cultural programs that E. Leon Jimenes developed for the local community.

The films also provide support to PMI regional management for presentations to government ministries on behalf of new business development.

To prevent or alter governments' proposals to increase cigarette excise collections, which pose a serious threat to the stability of the industry, a blueprint presentation setting forth economic arguments to oppose excise tax increases has been prepared. The presentation is part of a total program now underway to identify authorities in economics and taxation who can lobby on the industry's behalf before pertinent political officials and bureaucrats in charge of fiscal policy.

Under the leadership of its new Secretary-General, Bryan Simpson, the former Director of the Tobacco Institute of Australia, INFOTAB, with assistance from PMI, has developed effective materials for use by national manufacturers' associations to oppose both excise increases and smoking and health related legislation for both developed and developing countries. These should prove instrumental in helping national industry associations promote the social and economic benefits provided by the industry. PMI has also been active on INFOTAB project teams working on developing-country and leaf-growing issues, as well as monitoring the Fifth World Conference on Smoking and Health.

Early next year, the Secretariat's administrative capabilities will be further strengthened when the new position of Deputy Secretary-General is undertaken by Richard Corner, currently the Director of Corporate Affairs for the PM/EEMA region.

#### **PM (Australia) Ltd.**

Working closely with the Tobacco Institute of Australia and other manufacturers, PM (Australia) Ltd. has maintained close contact with both federal and state politicians to avert legislation restricting marketing freedom and increasing cigarette taxes.

The Tobacco Liaison Working Party of the Standing Committee of Health Ministers (S.C.O.H.M.) served the industry with a punitive and discriminatory draft of a revised voluntary advertising code for cigarettes. After a number of meetings, representatives of the S.C.O.H.M. and the industry were unable to reach agreement on proposed modifications, but the debate delayed implementation of a new code.

In the state governments of Western Australia, South Australia, Tasmania, and the

Australian Capital Territory, bills banning the advertising of cigarettes were introduced and either defeated or successfully modified to eliminate detrimental effects in the industry.

Individual companies and the Tobacco Institute have consciously sought media space in an attempt to "balance" the reporting of industry-related matters through a willingness to comment publicly on all matters and by providing press kit material to key journalists and publications.

The PM Arts Grant, established in 1973 to support innovative Australian artists and their work, has been extended for five more years. The collection, which consists of 1,500 pieces in all media of the visual arts, is housed in the Australian National Gallery and is available for loan to state and local galleries.

Following the tragic bushfires early in the



*(L-r) Andrew Whist; Geoff Bible, President of PM (Australia) Ltd.; and former Australian Prime Minister Malcolm Fraser at the unveiling of the PM Australia Arts Grant collection, later donated to the Australian National Gallery.*



## Philip Morris International

year, Philip Morris donated new equipment to three fire brigades in South Australia and 200 pairs of new technology fire-fighting apparel to the Victorian Country Fire Authority. The Australian affiliate also recently announced its donation of a grant to the Wildlife Preservation in Victoria.

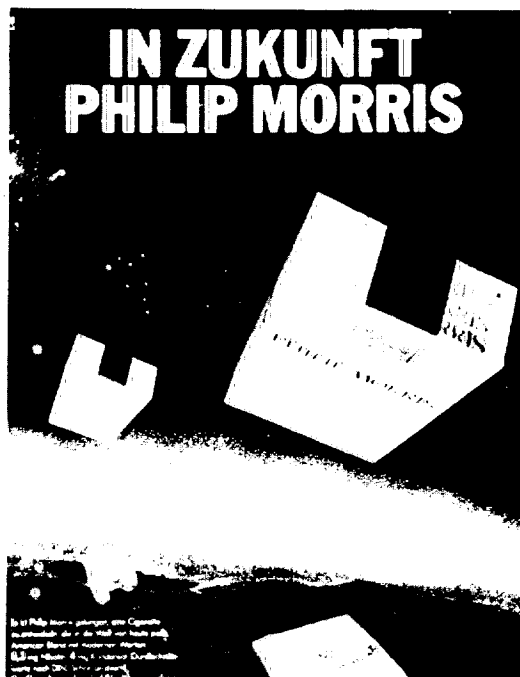
### **PM/EEC**

Taxation, defense of marketing freedom, and support of marketing continue as prime objectives in the EEC region. Two major fiscal fronts—the increasing tendency of national governments to obtain additional tax revenues from cigarettes and the harmonization of the structure of cigarette taxation within the EEC—received concentrated support.

In France, PM initiatives have been successful in amending a proposed draft law imposing a 25% "social cost" surcharge on the retail price of cigarettes. In a qualified victory for the industry, the French government postponed its introduction of the surcharge by three months and has proposed a series of 5% surcharges every six months. Furthermore, a regular excise tax increase was converted successfully into a price increase to give manufacturers relief from the existing price freeze.

The European Commission has rejected last year's resolution on tax harmonization submitted by the European Parliament, which was favorable to the industry's policy position; but the deadlock is conducive to action that could lead to changes favorable to the industry in the long term.

PM/EEC also played a key role in the favorable modification of the proposed U.N. "Guidelines for Consumer Protection," which called for governmental legislation severely restricting the marketing and international trade of all consumer goods—



*Media coverage of the PM GmbH-sponsored Award for Scientific Research, created to support the launch of Philip Morris Light American, reached over 28 million readers.*

especially "controversial" products, including tobacco.

In Greece this past April, the government proposed a draft law on "Misleading and Unfair Advertising," including one article that would severely restrict cigarette advertising.

The campaign against the draft law emphasized its possible incompatibility with EEC legislation as well as Greek economic interests. The Greek government has neither replied to the EEC Commission nor sent the draft law to the Greek Parliament. PM-organized lobbying continues at both national and EEC levels.

Strong public relations support of the marketing effort continues to reinforce the long-term quality image of Marlboro as a sports sponsor and as the leading international brand. The Marlboro Formula One

Foto Service extends coverage of the Marlboro brand to the sports and feature pages of newspapers and sports magazines through identification with teams and drivers on the European Grand Prix circuit. This service continues to be particularly beneficial in markets where advertising for tobacco products is severely limited or banned.

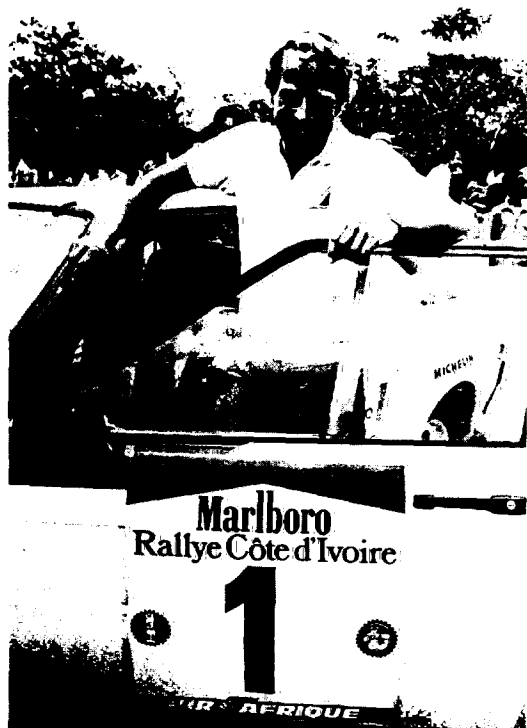
In Germany, to support the recent launch of Philip Morris Light American, PM GmbH created the Philip Morris Award for Scientific Research. The award recognizes four German scientists, selected by an independent jury, for creative research in the area of new technology. In line with the brand's futuristic image, all public relations and advertising for the competition placed the Philip Morris name in the context of solutions to the technological challenge of the future.

In Milan, Italy, this October the quality image of Philip Morris was reinforced through sponsorship and participation in "ICSID: Design '83," a congress of international architectural designers, which attracted more than 2,000 architects and designers from 60 countries.

A scale model of the Sculpture Garden and Gallery of the Whitney Museum branch at Philip Morris was displayed, with a continuous-play videotape of a day in the covered pedestrian space, at the exhibition. Aleardo G. Buzzi, President of PM/EEC, spoke on behalf of PMI to leading national, regional, and local government representatives and cultural leaders at the gala opening ceremony at La Scala. Philip Morris received wide media coverage in both press and television and will be featured in a one-hour special produced by RAI, the national Italian television station.



Ulrich Franzen, the architect of 120 Park, at the "ICSID: Design '83" exhibition, in Milan.



*Marlboro-sponsored Safari Rallies in Kenya and the Ivory Coast attract wide media coverage.*

The ICSID project is an example of the support provided to regions and affiliates by PMI-HQ, as both the model and videotape were produced by the Communications section. Before the Milan Congress, more than 150 press kits were distributed to media in the U.S., including U.S.-based foreign press. Following the Congress, a group of 28 foreign journalists visited the Sculpture Garden, took a tour of the Gallery, heard a presentation on PM cultural programs, and enjoyed a cocktail reception.

In Germany, PM GmbH successfully continues to promote and foster contemporary German artists and their work through the sponsorship of "Dimension IV: New Painting in Germany." The most recent competition attracted more than 2,000 artists, who submitted over 6,000 pieces of artwork. In its fourth series, this biannual event is now

considered the premier art competition for young amateur and professional artists in the Federal Republic of Germany.

#### PM/EEMA

Support for regional management's efforts to respond to anti-smoking pressures and support of marketing have had major emphasis. In the Mid-East and Africa, personnel have been active in INFOTAB's Middle East Working Party, which is responsible for coordinating the industry's strategy in the market. In Morocco, support was provided directly to the local monopoly in response to requests for a briefing on smoking and health issues and their impact on business.

In Sweden, Philip Morris and the local tobacco monopoly helped avert a proposed smoking ban on all S.A.S. flights, and in Norway, PM coordinated efforts to eliminate an international rental car agency's "smoke-free" campaign.

Support for development of brand-related promotional programs was spearheaded by the Marlboro-sponsored Safari Rallies in Kenya and the Ivory Coast, which continue to be particularly successful in attracting international media coverage. This year, a new promotion, implemented in Switzerland, was the "Marlboro Cherche Un Pilote" (Marlboro Challenge), a competition to find drivers with racing potential.

The Foundation Brunette, established by Fabriques de Tabac Reunies to support projects related to the protection of nature, has funded over 100 projects since 1976 and continues to promote community relations through financial backing, equipment donations, and media contact.

A series of cultural events, including a concert series and the acquisition of paintings

for a local gallery, has been established in the regional headquarters community of Lausanne.

PM participated in the Swiss television special *Today's Age—The New Patrons*, which explored the corporation's role as a cultural, agricultural, and sports sponsor. Frank Saunders, Staff Vice President, Corporate Relations and Communications, PM Inc., was interviewed, and excerpts from the Vatican film *Lift Up Your Heart* were featured.

In Dakar, Senegal, PM/EEMA has arranged funding for a new orthopedic center to manufacture artificial limbs.

A new quarterly, bilingual employee newspaper—*The Paper*—has been successful in its efforts to expand coverage of regional news, brand promotions, and cultural and sports activities.

*Art and Enterprise*, a series of art exhibitions mounted in Lausanne's headquarters offices for the employees, has included an exhibition of silk screen works created in the PM print shop by students from the

local Ecole des Beaux Arts and *The Cowboy*, a collection of photographs and an original text depicting the solitary life of American cowboys. This exhibit, which helps to promote Marlboro's brand image, is available for use in field locations in the region.

#### **PM Asia Inc.**

A priority has been to expand business development in an area of the world where the tobacco industry is, in most countries, controlled by a government monopoly.

In the spring of 1983, with the support of the U.S. Trade Representative's office and leading members of the Administration and Congress, as well as close cooperation with both PMI-NY and the Washington office, progress was made in gaining increased access to the Japanese market.

- The statutory tariff on imported cigarettes was reduced.
- The retail price disparity between local and imported brands was decreased.



*Close cooperation with Philip Morris Inc. made it possible for Frank Saunders to participate in a nationally broadcast Swiss television special on corporations and the arts.*

## Philip Morris International

- New retail outlets were made available to foreign brands.
- Almost all retail outlets in Japan will have the right to sell imported brands during 1984, and volume dealers will be able to have more frequent deliveries.

Although the market is significantly less restricted than it was one year ago, continuing efforts are being made to remove the remaining restrictions against imports and improve access in this important market.

In Taiwan, area management is in the final stage of negotiating a new licensing agreement with the Taiwan Tobacco and Wine Monopoly that would allow for the production of a jointly-owned "third" brand.

Responses to the discriminatory system of taxation that exists in much of Asia continue.

### Latin America/Iberia

Corporate Affairs in LA/I have successfully developed a program of communications with government officials on business activities, publicizing the economic and social contributions, and supporting cultural and sports activities of local interest.

In Argentina, Massalini Particulares S.A., with support from the Argentine Tobacco Industry Chamber, has acted as the industry leader to develop and implement a public affairs program to fight restrictive legislation and tax increases. With the revival of political activity motivated by recent national elections, MP has organized meetings with leading national politicians and their aides in order to acquaint them with the tobacco industry.

Efforts have been successful in a number of

areas, including the removal of a 5% excise surtax that was applied to tobacco products during the Falkland conflict; the exclusion, effective July 15, of the tobacco industry from the severe price control system that affects more than a thousand major companies in Argentina; and a temporary reduction of export duties on processed tobacco from 25% to 10% for a period of 180 days. In addition, proposed restrictive legislation on cigarette advertising was stifled, and a new program to counteract negative smoking and health activity has been developed.

In Uruguay, representatives of Abal Hermanos devised a plan with the government's fiscal authorities to lower the excise tax rate for a six-month trial period. This landmark project gives the industry an opportunity to reverse the trend toward increasingly higher excise levels and to establish that government may raise reve-



*Equestrian competitions not only provide brand exposure, but also increase contacts with key government, business, and media personalities.*

nues without penalizing the cigarette industry with higher taxes.

Cultural affairs continue to receive strong support from Latin American affiliates. Tabacalera Costarricense sponsored the third annual exhibition of *Paintings by New Costa Rican Artists* at the National Museum in San Jose. The exhibit, inaugurated by the Minister of Culture, received extensive TV and press coverage.

PM's affiliate in Ecuador, Tabacalera Andina (TANASA), funded the New York Philharmonic Orchestra trip to Ecuador. TANASA also produced a documentary film about their country—*Nuestra Gran Pais*—which is being seen in major cities throughout the country.

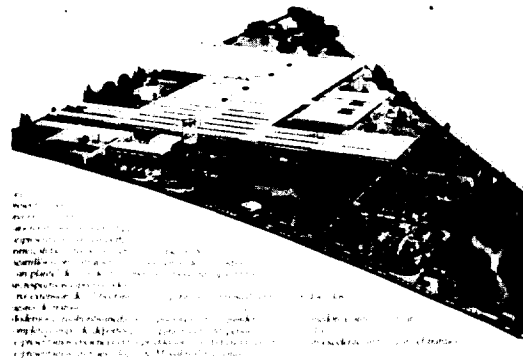
In the Brazilian city of Sao Paulo, the three-day Marlboro Equestrian Cup and Marlboro Combined Training Tournament continue to promote brand awareness while strengthening the affiliate's relationship with key personalities in government, business, and the military.

With the institution of the Marlboro Regatta, Tabacalera Nacional, the affiliate in Panama, continued to develop Marlboro's sponsorship of sport. The first competition of its kind to be held in Panama City, the speed boat races attracted an enthusiastic crowd.

E. Leon Jimenes, the Dominican Republic affiliate, has been actively involved in a variety of community/national relations projects, including a government-organized campaign against childhood disease for which ELJ provided funding for 30,000 polio inoculation shots.

The affiliate addressed another national priority—the destructive effects of a prolonged drought to the forests, rivers, and

**AMP** *Le*  
Assasin Particulares  
**presentamos**  
**nuestra Planta**  
**Industrial Merlo.**



**AMP**

AMSTERDAM — MARIK — LAM — HENK & HEDGES — WEST — PARLIAM

**An institutional ad, emphasizing the modern technology and employee amenities at the Merlo plant, was created for the opening of the Argentine facility and appeared in major newspapers and magazines.**

wild animals of the DR—by developing the Institutional Reforestation Campaign, which features one-minute TV spots, full-page ads in leading newspapers, posters, and t-shirts.

In an ongoing effort to improve the quality of life for the citizens of Boca del Monte, PM's plant community in Guatemala, Tabacalera Centroamericana (TACASA) built two new classrooms for the local elementary school and furnished them with used school desks from the Archdiocese of NY. A major exhibition of Indian textiles from San Pedro Sacatopequez, a highland village, was sponsored by TACASA and Museo Ixchel in Guatemala City.

The opening of the new Merlo manufactur-



***Ra***—the Benson & Hedges Canada-sponsored 11-hour production about the Egyptian sun-god—received a prestigious national award for innovative and experimental theatre.

ing facility outside Buenos Aires was a major event in 1983. The governor of Buenos Aires presided over the formal inauguration ceremony, which was attended by over 1,700 guests, including executives from PMI in NY. The opening received wide media coverage—including a 12-page article by *Clarín*, a leading national newspaper—and a one-and-a-half-minute film featuring highlights from the inauguration ceremony was shown in cinemas around the country.

#### **Benson & Hedges (Canada) Inc.**

Corporate Affairs in Canada concentrated on lobbying government officials to avert restrictive legislation or regulations, overcoming excessive taxation, and supporting educational and cultural activities.

The Corporate Affairs group was successful in averting the implementation of Treasury Board regulations that would have

mandated segregated workspace for smokers through a company-sponsored study on the financial, technical, and operational costs of implementing such regulations.

In conjunction with other members of the tobacco industry, major presentations on the detrimental effects of excessive taxation were made to the Ministers of Finance of Quebec and Ontario as well as to the federal government. As a result, all three fiscal authorities have announced the creation of joint industry-government task forces to study the problems and recommend solutions. The industry is also advising leaf growers, union representatives, and wholesalers in an effort to support their activities on behalf of the industry.

B&H has also been successful at both the provincial and municipal levels in defeating or delaying public smoking by-laws.

Continuing its traditional role as a generous supporter of the visual and performing arts, Benson & Hedges sponsored a wide variety of events in 1983, including the Opera du Montreal, which presented a production of Massenet's *Manon*; the third annual Montreal Mime Festival; and *Ra*, an unusual 11-hour production that tells the story of the sun-god's perilous journey through the night, using original music and dance. *Ra* received a prestigious Canadian award for innovative and experimental theater.

In order to give top Canadian students knowledge of and experience in their government system and provide members of the Canadian Parliament with qualified assistance, B&H supported Parliamentary internship programs in both the province of Alberta and the federal government.

For the fifth consecutive year, B&H awarded three scholarships to top students at Ancordia University to pursue music careers of their choice.

Miller Brewing Company

2024302902